97-84111-8

Barnes, Julius Howland

The treatment of Allied debts

[New York]

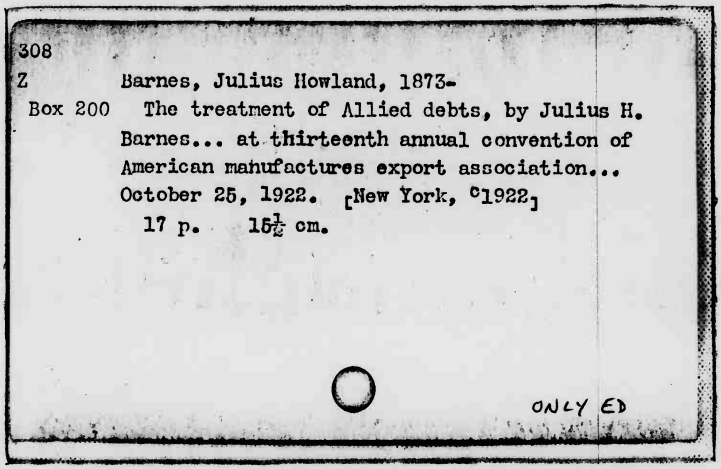
[c1922]

97-84111-8
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


308
Z Barnes, Julius Howland, 1873-
Box 200 The treatment of Allied debts, by Julius H. Barnes... at thirteenth annual convention of American manufactures export association... October 25, 1922. [New York, ©1922]
17 p. 15½ cm.
ONLY ED

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 6-5-97 INITIALS: PB

TRACKING # : 23496

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

308
Z
Box 200

The Treasury & Allied Debts

The Treatment of Allied Debts

by

JULIUS H. BARNES

President, Chamber of Commerce of
the United States of America

at

Thirteenth Annual Convention of the
American Manufactures Export Association
Waldorf-Astoria Hotel, October 25, 1922

Copyright 1922

JULIUS H. BARNES

The Treatment of Allied Debts

Note: It should be made clear that the Chamber of Commerce of the United States has defined no policy in respect to Allied Debts, and that Mr. Barnes is speaking here his individual convictions, and for the purpose of stimulating discussion and consideration of this subject.

In a discussion of the Allied Debts, no man may presume to express the definite conviction of organized American business, for American opinion has not yet crystallized into definite conviction. In the ranks of organized business enrolled under the leadership of the Chamber of Commerce of the United States there is as yet only one clearly unanimous conviction, and that is, a complete accord in the desire to frame a solution with great sympathy, as well as wisdom. There is, with it, a clear determination that aid, when extended, shall be effective in actual remedy, and not be dissipated in unwise and ineffective effort.

Much of the individual prosperity of peoples is dependent clearly upon the

healthful functioning of international commerce, and if there is a solution which will stimulate the productivity of peoples through international helpfulness by a solution of the problems of international finance, then the rejection of such a solution carries with it a grave responsibility.

America entered the war for no selfish purpose, and in the terms of settlement desired no benefit, and received no gain. America is capable of acting with the highest idealism, but it is so capable only when acting from profound and solemn conviction. There are, it seems to me, some realities that have not been adequately stressed in the discussion of a proper treatment of Allied Debts. The realities are these:

1. These debts are due to the Government of the United States.

2. That Government is a representative Government controlled by public opinion.

3. An effective public opinion in favor of reduction or remission must be created on one of two grounds:

(A) Either the justification of economics as being in the self-interest of our people; or

(B) A justification on moral grounds

as being an act of generous treatment due to those formerly associated with us in a great world war.

It is clear today that there is no general public conviction on either of these grounds, and it is well to examine briefly why this is so, and whether a public conviction will yet be crystallized on one ground or the other.

On the ground of economics, the American people have been told for three years that their own prosperity depended upon the markets of a restored Europe and that these would be impossible to restore without the elimination of this international financial menace. This is probably ultimately true, but, so far, the evidence of actual trade development has not sustained this contention. Judged by all the measures of a prosperous industry, by aggregate car loadings, by steel production, by operating output of typical industries such as the automobile section, by market strength in prices of stocks and bonds, by the figures of total savings accounts and their rate of increase—by all these measures, America is to-day possessed at home of a substantial prosperity. Within the short space of a single year, from a condition of four million unemployed, America has emerged to a condi-

tion of full employment. This present era of prosperous trade at home may be a present-time accident, but it is, today, the visible evidence that our industries are not languishing under the weight of an Allied debt, the readjustment of which, Congress has by resolution defined by definite limits of time, and terms. Therefore, on the ground of economics alone, the present condition of American industry is not such as to crystallize at this time a public opinion favorable to their remission.

As to the moral ground, the difficulties are today even more real. There is a background in our short national history which must be understood before one can properly value the influences which crystallize into the profound moral convictions of a people.

Remember that the foundation of this republic was laid by the ambitions and aspiring of every people, profundly dissatisfied with the Old World opportunities for advancement, or profundly distrustful of the social and political structure under which they had formerly lived. Remember that in this New World they established a Government under a new social and political ideal which may be described as the Philosophy of Individualism. The founders of this republic

fled from autocratic forms of Government against which their self-reliance and strong individualism rebelled. Everything in our national history confirms the wisdom of the new social anid political philosophy which they established, and which we have maintained. In a short century and half, the republic has developed its natural resources, until its wealth could dominate the finance of the world, and has demonstrated in common use a standard of living for its citizens which is the marvel of the world. Its freedom from rigid caste and age-old tradition had produced a people so responsive especially to new invention and so eagerly welcoming to the achievements of science, that the productivity of its people per unit of population, in agriculture and in industry, is equalled nowhere in the world. It has taken the leadership in the development of new industries such as the automobile and motion-picture, the electrical and chemical industries, until these fields, unknown a generation ago, today provide employment and opportunity for twenty million of our people. America has a profound conviction that not only the spectacular fortunes of the leaders of industry, but the individual content and happiness that spring from the limitless opportunities and employment of prosperous industry, rest solely on a social structure

which preserves the incentive to individual effort and individual productivity. American has a profound conviction that, whether a people are to rebuild their living standards from the wreck which follows war, or whether a people are to hold high the advanced standard of common comfort and convenience already secured, the sole means by which these are achieved is in preserving and stimulating the individual efforts of its people. America holds that its most precious heritage is the philosophy of individualism which deems a constituted government to be justified chiefly as the agency established by common consent primarily for the preservation of fair-play between individuals, so that each individual may, himself, by his own effort and ability, create his own niche in the social structure.

America conceives that the prime obligation of Government is to preserve to the individual the reward of superior effort or superior ability apportioned to him through the natural processes of trade, and therefore apportioned more fairly by society itself than would be possible through the arbitrary action of any man or body of men placed in temporary authority.

America also believes that the prime obligation of Government is to maintain an honest standard of value. On that

standard of values rests the processes of industry which must currently buy the raw material which, weeks or months later, in its finished form, must be offered for sale measured in the same monetary standard; and industry will perish if it must add to the natural hazards of conversion and merchandising also the risk of a currency fluctuation, particularly a depreciating one.

America realizes that in terms of the monetary denomination of a government is written the savings accounts, the result of thrift and self-denial of its people; life insurance, the result of sacrifice for the provision of after-death dependents; and America realizes therefore that a deliberately depreciated currency is a dishonest and immoral process which wrecks the industry of a country, and destroys the individual incentive to effort and to thrift.

I lay great stress upon these convictions as being the conscious or unconscious standard by which will be measured the efforts of Europe for its own restoration. Consciously or unconsciously, these standards will be applied to indicate whether, in Government or in industry, the policies of Europe show a full measure of honest effort, or carry any promise of ultimate success.

When we weigh the course of European governments since the armistice, we find that, in the policies of government and in the conduct of industry, violence is done to these most profound convictions of our people.

America is puzzled and bewildered when, in Europe, where is most needed the profound understanding of individual human impulse and a sturdy stimulation of that impulse in the interest of aggregate recovery, there is shown apparently the most reckless yielding to expediency in measures which our whole national experience tells us lead to suspended recovery, or even to utter social demoralization.

Payment from national treasuries of unemployment doles that put a premium on idleness and non-productivity, carry no appeals to American common-sense, even with full knowledge of the difficulties which the re-absorption of released armies may present.

Turning over factories, with the consent of Government, against the will of the owners, to rebellious workmen for a fantastic experiment that ends inevitably in failure, carries no conviction to our people as a proper function of constituted authority that must preserve in absolute equality every man's right to life and to property.

International trade agreements with Russia, made with the color of an effort to precede the entrance of our own people into trade relations, affront our own policy based on a national conviction that trade cannot exist without both production and just laws protecting that production, and that Russia's policy of communion has both destroyed production and violated sacred human rights.

Trade barriers erected by national animosities at new frontiers, which check the flow of goods and of transport equipment along long-established channels of trade, seem to us to be so fraught with the destruction of commerce, on which employment must rest, that our confidence is lessened in governments which create and maintain these barriers.

Governments dominated by political groups frankly devoted to the interests of minor sections of their people, convey no promise to us of broad, sound national policies.

Labor parties, permanently in politics, speak to us of the acceptance of a rigid-caste social structure, that implies a closed door to opportunity and advancement and which violates a fundamental tenet of our own social convictions.

Streams of emission of paper tokens which are a Government's promise to pay,

issued without maturity date and without provision for redemption, or indeed without intention to redeem, seem to us the heighth of destructive immorality of Government.

Public services assumed by governments, such as transportation, telegraph and telephone, and others, the field of which in America is recognized as functioning best under private ownership and private operation; loaded with armies of dependents, income and outgo disregarded, and the National deficits thus created met by further emission of dishonest paper inflation, carry no assurances of ultimate solvency.

National budgets unbalanced with large expenditures for non-productive armaments which offend both our business sense and our moral sense, are difficult to justify us as a necessity in the collection of reparations, when other methods are successively rejected.

America subscribed without reservation to the principle that Germany must pay in reparations the last dollar which the productivity of her people can create, but our business sense, and our common sense, tell us that the problems of reparation; the ascertaining of what the uttermost limit of payment by Germany may be, up to the point of utterly crushing

her industry, and therefore her means of payment, is a problem for men trained in the economics of large business, and not solely for diplomats or politicians.

Yet when the problem is examined, as was done so hopefully a few short months ago by the leading business talent of the world, their effort is controlled, limited and frustrated by the will of men in political authority.

Even France, heroic France, imperishably seated in the admiration of our people, has wounded America solely the past few months. A world conference on naval disarmament, which accomplished much, and promised more in hopefulness for similar treatment for the larger land armament problem, receives by her a grudging assent to a treaty yet unratified by its assembly.

Shock after shock to the processes of overseas trade and international finance follow repeated crisis in the relation between the two great Allies.

A great moral conviction of our people that the Turk belongs not in Europe is profoundly shocked by the demonstration that the restoration of the Turk's foothold in Europe is largely due to their recent encouragement by France.

As to Great Britain and its debt to the

United States, this requires to be separately discussed. Our people see their own commerce carried largely in British ships, operated probably with superior efficiency to our own, but laying, nevertheless, a trade toll upon the foreign commerce of our people. They see British finance predominent everywhere in the world, and probably rightly so, out of the financial sanity and the long experience of a great trading nation. They see the far-flung British federation of colonies with resources equal to our own. They know the British ideals of the relation of Government and industry so nearly resemble our own in stimulating individual effort that there is every promise of the quick productivity of their people. They rate, then, Great Britain as ultimately able to meet the obligations of the empire, no matter how stupendous those sums may be. A remission of any portion of the British debt would find slight consideration in America, even if the sturdy self-respect of that competent people would permit them to accept any such consideration at our hands.

But when, by mutual negotiation, the British portion of the Allied debt is put in definite form; when in respect to the other less fortunate countries of Europe the position of England and America may be almost identical in interest, then will

come the test whether public opinion of America which will govern its legislative bodies and its administrative officials, may be crystallized for a different treatment of the other Allied obligations. It is no kindness to fail to develop clearly the realities which must be faced in considering the influences which create and mould that controlling public opinion in this country. The men who have spoken for a revision and a reduction of the Allied debts due this country have been largely men of great ability and high character. Their views must be weighed with great and careful consideration. International banking implies character and ability, and not solely a selfish interest, and therefore international banking should speak on this subject with special authority.

The sincere expressions of men of ability will have a distinct influence in the formulation of public opinion which, after all, will govern the National treatment of these National obligations.

If Allied debts are to be reduced or remitted because their payment would be disastrous to our own industry, then it would seem regrettable that the conviction of America can only be secured by waiting the demonstration of a disorganized industry.

If Allied debts are to be reduced or remitted as an act of moral obligation, then the sincerest friendship is to point out the basis on which the moral convictions of our people can be crystallized. We have no right to impose our ideas of an industrial or social or political structure upon other peoples with other ideals and convictions, but no conviction in America will support a remission in sheer national generosity, unless it is based on a demonstration that the proceeds of that generosity will not be wasted in inefficiency and extravagance, nor in social experimentation which we know to be destructive of a people's productive impulse.

A definite program leading to ultimate restoration in Europe, by steps which appeal to America as reasoned and probably effective, will find certain sure foundations in America.

1. Our business sense will tell us that a revived and prosperous Europe means an added measure of prosperity for our own people.

2. A firm and lasting admiration for the qualities of courage and endurance of these peoples of Europe, and an American idealism which may not fail to extend assistance to peoples making an effort to accomplish a restoration manifestly beyond their attainment, unassisted.

On these foundations and behind such a program promising successful restoration, public opinion in America can crystallize rapidly into action. It seems worthy of serious consideration by those who believe a recasting of Allied Obligations should be considered on economic or moral grounds, whether more effective aid could not be rendered in the area of interest and redemption terms, rather than reduction of principal. It will need a convincing story indeed to overcome the fundamental convictions of Americans that the principal of an obligation should be scrupulously respected and far less difficult to crystallize the fullest consideration, perhaps even to the entire remission of interest and the most generous deferred terms of principal installments.

MSH 23496

END OF
TITLE